

Message Text

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ACTION ARA-10

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E. O. 11652: N/A

TAGS: ETRD, CO

SUBJ: TWO YEARS' SUSPENSION OF THE TUMACO REFINERY PROJECT

1. ACCORDING TO PRESS REPORTS AUGUST 14, THE TUMACO REFINERY CONSTRUCTION PROJECT HAS BEEN POSTPONED FOR TWO YEARS. THE REPORTS INDICATE THAT THE DECISION WAS TAKEN BY THE PRESIDENT AND HIS MINISTER OF MINES AND ENERGY, JUAN JOSE TURBAY, BASED UPON THE UNFEASIBILITY OF THE PROJECT AT THE PRESENT TIME AND A DECLINE IN THE ANTICIPATED PRODUCTION OF CRUDE FROM THE PUTUMAYO WELLS.

2. THE LOCAL MANAGER OF FOSTER WHEELER (THE U. S. COMPANY AWARDED THE ENGINEERING, CONSTRUCTION AND PROCUREMENT CONTRACT LAST SEPTEMBER FOR THE TUMACO PROJECT), IS HIGHLY DOUBTFUL THAT THE GOC EVER INTENDS TO RESUME THE PROJECT. ACCORDING
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TO THE FOSTER WHEELER REPRESENTATIVE, THE GOC HAD APPROACHED

HIS LONDON OFFICE THIS PAST SUMMER PROPOSING A ONE YEAR SUSPENSION. WHEN THE COMPANY READILY AGREED TO THE SUSPENSION AND SUGGESTED THAT REQUIRED ENGINEERING WORK MIGHT CONTINUE DURING THE INTERIM, THE GOC QUICKLY INCREASED THE SUSPENSION TIME TO TWO YEARS. THE FOSTER WHEELER OFFICIAL ESTIMATES THAT THE GOC'S PROCUREMENT PENALTIES WILL RUN TO APPROXIMATELY 2 MILLION DOLLARS.

3. FOSTER WHEELER'S REPRESENTATIVE ATTRIBUTES PRIMARY CAUSE FOR CANCELATION TO SEVERE FINANCIAL DIFFICULTIES CONFRONTED BY THE COLOMBIAN PETROLEUM ENTERPRISE (ECOPETROL), NOT TO

ANY LACK OF PROSPECTIVE CRUDE. HE STATES THAT DURING HIS MANY VISITS TO TUMACO, HE OBSERVED THAT A 30,000 TON TANKER LOADS ALMOST EVERY OTHER DAY FROM THE PRESENT TEXACO TANKS. LBHY WOULD INDICATE A CURRENT SUPPLY OF 120,000 BARRELS PER DAY. THE PROJECTED REFINERY WAS DESIGNED TO PROCESS 75,000 BARRELS PER DAY.

4. ONE OF THE PROJECT'S MAJOR PROBLEMS HAS BEEN THE SKYROCKETING INCREASE IN COSTS OF LABOR AND EQUIPMENT. THE ORIGINAL ESTIMATE OF 85 MILLION DOLLARS HAS ALMOST DOUBLED SINCE APPROVAL OF THE PROJECT. ECOPETROL LABORERS, FOR EXAMPLE, WERE GRANTED A 25 PER CENT WAGE INCREASE IN MAY AND ARE SCHEDULED FOR AN ADDITIONAL 37 PERCENT BEFORE THE END OF THIS YEAR. FOSTER WHEELER HAD PROJECTED INSTALLATION CONSTRUCTION REQUIREMENTS AT 11 MILLION MAN-HOURS INVOLVING A LABOR FORCE OF 4,000.

5. IN ADDITION TO SPIRALING CONSTRUCTION COSTS, THE PROJECT HAS ENCOUNTERED SERIOUS PROBLEMS WITH THE PROPOSED DEVELOPMENT SITE. WORK COMPLETED BY ECOPETROL IN THE HYDRAULIC FILLING OF THE AREA HAS PROVEN INADEQUATE. THE ENTIRE SITE WILL REQUIRE REDREDGING AND HYDRAULIC FILL OR A REDREDGING OF THE PROCESSING AREA WITH DYNAMIC COMPRESSING OF THE OFFSITE AREA. EITHER OF THESE OPERATIONS CALLS FOR A CONSIDERABLE ADDITIONAL INVESTMENT IN BOTH TIME AND MONEY.

6. ACCORDING TO THE FOSTER WHEELER REPRESENTATIVE, THERE ARE NO INDICATIONS THAT THE GOC IS CONTEMPLATING HYDRAULIC LIMITED OFFICIAL USE

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FILL OPERATIONS IN THE NEAR FUTURE. THE LACK OF ANY ON-GOING PLANNING FOR THE PREPARATION OF THE DEVELOPMENT SITE REINFORCES THE CONTENTION THAT THE GOC HAS ABANDONED ALL INTENTION OF ESTABLISHING A REFINERY AT TUMACO.

7. AS MIGHT BE EXPECTED, THE LOSS OF THE REFINERY HAS GENERATED A SHARP REACTION FROM THE DEPARTMENT OF NARIÑO. PARLIAMENTARY

REPRESENTATIVES FROM NARINO YESTERDAY REQUESTED THAT TECHNICAL STUDIES BE CONDUCTED TO ESTABLISH THE EXTENT OF OIL RESOURCES IN THE PUTUMAYO AREA AND IT MAY BE EXPECTED THAT A CONTINUING EFFORT WILL BE MADE BY NARINO AUTHORITIES TO HOLD ON TO THE REFINERY. KERR

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